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Telephony

AN INTERTEC PUBLICATION APRIL 30, 1990 INTEGRATING VOICE & DATA COMMUNICATIONS $3

AFFORDABLE FIBER FOR FARMERS

SW Bell is ready to bring fiber—and digital service—to rural Texas

SW BELL ADMITS COST ALLOCATION ERRORS

Telco audit finds improper lobbying costs in rate base

GTE PULLS FUNDS FROM AG COMMUNICATION

Program to develop ISDN for GTD-5 switch is canceled

MONDAY, APRIL 30, 1990 Volume 218, No. 18

Telephony

INTEGRATING VOICE & DATA COMMUNICATIONS

In the past, when you were surrounded by plowed fields as far as the eye could see, you probably wouldn't be harvesting the benefits of single-party digital service. But Southwestern Bell may be changing that scenario in southeast Texas. Cover photo by Kristin Zhivago

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TELEPHONY (ISSN 0040-2656) is published weekly for $35.00 one year, $60.00 two years. Outside U.S. $51.00 one year, $109.00 two years. Air mail for $185.00 for U.S.; $206.00 for Canada. Air Express one year outside U.S. and Canada for $125.00. Single copies $5.00 each (payable in advance); outside U.S. add $1.00. Subscription rates apply to employees of operating telephone companies; telephone consultants; contractors; interconnect companies; specialized common carriers; military; government; associations; private communications users; schools; libraries. Published by Intertec Publishing Corp., 9221 Quivira Rd., Overland Park, KS 66215. Second class postage paid at Chicago, IL and additional mailing offices. POSTMASTER: Send address changes to TELEPHONY, P.O. Box 12960, Overland Park, KS 66212. Copyright 1990 by Telephony Division, Intertec Publishing Corp. All rights reserved. Permission to photocopy for internal or personal use or the internal or personal use of specific clients is granted by Telephony for libraries and other users registered with the Copyright Clearance Center provided that the fee of $1.50 per page is paid directly to CCC, 21 Congress St., Salem, MA 01970. Special requests should be addressed to publisher.

conceived, GSM uses large databases, known as home location registers, visitor location registers and equipment identity registers, to track users and route calls accordingly.

In the initial stages of GSM deployment, the Tekelec MGTS can provide manufacturers with the ability to emulate various network components, monitor network performance and test configurations, says Hess. Ultimately, it can provide carriers with the ability to test protocols and conduct system-level tests of multivendor networks, he says.

The advanced SS7 applications for the MGTS and MATE systems enable those systems to simulate complete SS7 trunk setup sequences, including trunk performance. T

Few surprises in earnings reports

Paul Travis
Executive News Editor

The first quarter earnings reports of local and long-distance carriers show continued strength in the interexchange and cellular markets, but little growth in the provision of local phone service when compared to the same quarter last year, analysts said last week.

Several companies—BellSouth, Pacific Telesis, Southern New England Telecommunications (SNET) and Telecom*USA—reported a drop in net income while most of the other companies posted modest gains.

"Long distance continues to go strong. But if the local exchange is a growth business, it hasn't shown it yet," said Harry Rosenthal, an analyst with Deutsche Bank Capital Group.

Pacific Telesis blamed a 17% drop in net income on higher expenses and a $391-million rate cut that was part of an incentive regulation plan in California. BellSouth attributed its decline to the costs of an early retirement program and the acquisition of Mobile Communications Corp. of America. SNET said a poor Connecticut economy was the main cause of a 6% drop in net income.

On the long-distance front, the big three carriers posted healthy gains. AT&T reported a 12% increase in net income on a 2.7% rise in sales, which some analysts called the company's best quarter since divestiture in 1984. MCI Communications Corp. said first-quarter revenues increased 20% and earnings per share jumped 22% from a year ago.

United Telecommunications, the parent of US Sprint, reported a 15% increase in revenues and a 42% jump in earnings per share. Those figures were helped by Sprint, which posted a 24% increase in net operating revenues to $1.2 billion and increased its operating margins from 3% to 7%.

Telecom*USA, which is being acquired by MCI, reported a drop in net income on a 30% increase in revenues. The company blamed the drop in profits on a jump in the tax rate from 36% to 41%.

Many local exchange carriers credited strong cellular growth for much of their increased earnings. Southwestern Bell, for example, said cellular customers increased by 15.4% while access lines grew by only 1% in the quarter. U S West NewVector Group Inc. reported a 54% jump in revenues. Nynex said cellular customers grew by 62%. Pacific Telesis said cellular profits jumped 74%.

"There were very few surprises in the quarterly reports. Overall, they were a little better than the fourth quarter. The big question for the local exchange carriers is the incentive regulation plans," said Audrey Stevoff, vice president at Duff & Phelps Inc.

"These plans sound terrific. But there is considerable risk in some of these plans. They are usually accompanied by a sizeable rate cut or rate freeze. That means they have to be in place for a while to produce results," she said.

Rosenthal also pointed to incentive regulation plans adopted by many states as the key to better financial reports from local exchange carriers.

"When will all this talk about regulatory changes and new businesses and new services hit the bottom line? I don't think it will be in the next quarter or two. It takes time for new technology and rate relief to translate into better earnings," Rosenthal said.

"LECs are no longer ugly ducklings, but they haven't matured yet into beautiful women. They are at this awkward teenage stage with some traces of acne. They are no longer just regulated utilities. But they haven't matured yet into growth companies," he said. T

FINANCIAL SCOREBOARD
FIRST QUARTER EARNINGS REPORT

	Net income (millions)		Revenues (billions)		Earnings per share	
	1990	1989	1990	1989	1990	1989
Alltel	42.2	38.9	0.32	0.27	0.63	0.60
Bell Atlantic	355	330	3.02	2.77	0.90	0.84
Centel	14.1	4.7	0.31	0.28	0.16	0.05
MCI	163	135	1.80	1.50	0.62	0.51
Pacific Telesis	262	317	2.37	2.34	0.65	0.78
Southwestern Bell	247	238	2.12	2.05	0.82	0.79
United Telecom	107	76	2.02	1.76	0.51	0.36

U S West to test calling name ID

Carol Wilson
Editor

U S West will conduct the initial test of Northern Telecom Inc.'s calling name identification in May as the second phase of a customer local area signaling services (CLASS) technology trial, the company announced recently.

The calling name delivery capability, announced by Northern in March, is an enhancement to the more standard call-

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